

**THE ROLE OF COMMERCIAL BANKS ON THE PERFORMANCE OF
SMALL SCALE BUSINESSES IN UGANDA: A CASE STUDY
OF BARCLAYS BANK, KAMPALA BRANCH
KAMPALA-UGANDA**

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DECLARATION

Mukanza Annet do declare that this research Dissertation is my original work from my own findings and has never been produced by anybody else for the same award in any institution.

Researcher

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Signature



Date

21. 06. 2011

APPROVAL

This is to certify that this research proposal of Mukanza Annet has been carried out under the title "The role of Commercial Banks on the performance of Small Scale Businesses in Uganda; a case study of Barclays Bank, Kampala branch" under my close supervision. It is now ready for submission to Kampala International University faculty of Business and Management for the award of a Bachelor of Business Administration degree, with my due approval

Signed



(Supervisor): **Mr. Sunday Arthur**

Date

23.06.201

DEDICATION

This report is dedicated to my beloved parents, Mr. Mugweri Jacob and Mrs. Mukodha Jesca, brothers Ngobi Gerald, Nicolas Takwana and my dear supervisor who have guided me and given me all the necessary financial and non financial support that enabled me to successfully complete this project report.

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ABSTRACT

The study sought to establish the role of commercial banks on the performance of small scale businesses and was driven by three objectives. These were; to establish the relationship between Barclays Bank and the performance of small scale businesses, to identify the challenges facing Barclays Bank in trying to improve the performance of small scale businesses of their customers and how they could be, and to find out the roles played by Barclays Bank on the performance of small scale businesses in Kampala. To achieve these objectives, the researcher sampled fifty (50) respondents from Barclays Bank.

The research was guided by three research questions. The first research question sought to find out how Barclays Bank would help its customers to improve the performance of these small scale businesses, the second question sought to find out the problems faced by Barclays bank and the measures to solve these problems, and the third research question sought to find out the services Barclays Bank provides to its customers such as those operating small scale businesses in Kampala.

The findings revealed that; many small scale businesses have not fully benefited from the services provided by Commercial banks such as high interest rates charged by the commercial banks, difficulty in accessing the services provided by commercial banks, high levels of illiteracy among others limited the customers or owners of small scale businesses from fully benefiting from these Commercial banks most especially Barclays

These challenges faced by the small scale businesses has limited them to obtain funds in terms of loans which they could have used to improve on their investments and performance hence resulting to the poor performance and collapse of many small scale businesses operating in Kampala and other parts of the country.

There is need for the government, owners of small scale businesses and the management of the commercial banks such as those from Barclays bank to work hand in hand so as to efficiently solve the numerous problems that being faced by all these parties so as to improve on their performance to reap a better result.

CHAPTER ONE

INTRODUCTION

This chapter is about a brief explanation of the background, statement of the problem, objectives of the study, research questions, scope of the study and significance.

1.1 Back ground

Barclays bank is one of the oldest banks in Uganda. Apart from having a wealth of experience in the banking industry, Barclays has been a trend-setter in provision of modern information technology products to customers and businesses. The magazine entitled, the Ugandan Banker brings you their story in this profile.

Barclays began its operations over 70 years ago. On 1st August 1927 Barclays Bank, , a limited liability company incorporated in the UK, opened two branches in Uganda, one in Kampala and the other in Jinja.

Now known as Barclays Bank of Uganda Ltd, a subsidiary of Barclays Bank PLC group which now operates in over 70 countries in the world, Barclays Bank of Uganda Ltd is involved in two outlets at Plot 16 Kampala Road, Luwum Street.

Recently, the Bank underwent major restructuring to prepare for the fast changing and developing needs of the revitalized Ugandan economy and the increasing demands of its business customers for a modern banking service. In this connection Barclays Bank has invested heavily in information technology and has come up as a pioneer Bank with a new feature of satellite banking, code named “project orbit.”

This is a real-time accounting system capable of updating customers’ information instantly. With the use of satellite dishes linked to the office system network servers via personal earth station, the system able to transmit customers’ transactions to the data base in a processing center in UK in less than 3 seconds. This has helped in solving the problem of lack of customer information, more so if information required is held by another Barclay’s branch and the communication infrastructure is not good. With this in place, all service outlets i.e. tellers have access to the central bank holding customers’ information irrespective of the branch. For example stop payments can be input by the nearest branch and the authorizing officers/tellers will be advised immediately and automatically should someone try to cash/pay

on the stopped cheques. This is irrespective of where the account is held or where it is topped.

Barclays has also recently introduced the front office system (FOS). This is a system where computers are moved from the back office to the front office to enable a quick service to the small scale businesses and has made a huge difference to Barclays counter service.

But service improvements are not a one-time thing; they need to be registered on several fronts for real impact to be felt. So, FOS alone is not the sole answer for a continuing better service. Barclays is conscious and fully aware of the following.

Customers who must queue for long periods although their transaction is very simple and quick.

Cashiers who are so pressurized by volumes of customers do not feel able to give each customer the personal attention that we know they want.

Business customers who find it inconvenient to come to the branch during opening hours.

Business customers who want flexibility in their banking services to match their life style.

All these factors and more are prompting the introduction of the Automated Teller Machine (ATMs). At Barclays, Quality Service is about continuous improvement in constant search for better ways of doing business and, availing facilities to customers is just one important step. Like any automated service, the ATM does simple things consistently and accurately.

Barclays Bank has got departments like Barclays Foreign and Trade Finance. Barclays is truly an international bank with the global capacity to conduct foreign currency business on large and small basis with complete professionalism. It has full range of services to cater for the largest corporation and the smallest personal customer. Barclays handles the transactions of all the major currencies and offers the following services to its business customers.

Opening letters of credit to facilitate quick and safe importation of goods.

Organizing credit facilities and collecting proceeds for exports (inwards letters of credit) for its business customers.

Visa card encashment, negotiation and collection of cheques in all major currencies on behalf of its business customers.

Purchase and sales of all major foreign cash currencies as well as travelers cheques.

Apart from offering all the above services, a customer can open a foreign currency current account as well as a Deposit Account. Barclays offers very competitive rates to customers who deposit such foreign funds with them.

In 1995, with the installation of the society for World Wide Interbank financial Telecommunications (SWIFT) payment system, Barclays was one of the first banks in Uganda capable of electronically transferring funds to and from anywhere in the world, in minutes.

Retail services. Barclays provides its esteemed business customers with efficient, accurate and fast services on savings, current and fixed deposit accounts. The fixed deposit and savings account carry attractive and competitive interest rates.

A "personal Bankers" service is currently being introduced. This is one additional service to help serve business customers at their convenience "personal Banking" is all about staff establishing the personal link with customers so as to help them perform better in their business. This creates a reach "feel good" factors, the customer sense that they are recognized, valued as individuals and feel that they genuinely belong with Barclays.

Corporate Department.

The corporate department gives professional attention towards the customers' financial needs, Barclays' lending rates are competitive and loans, overdraft and guarantees are offered to both personal and corporate customers so that they can improve their businesses. Barclays is at present looking to enhance its personal loan product range and further details should be available later in the year.

Barclays Bank employs over seventy (50) workers in its departments such as cash department, credit department, operations department, forwarding department, forex department and others. They have 7500 customers from the center of Kampala district. They

ive multipurpose loans of up to 100 million, business loan of up to ten (10) million and salary loan of up to 20 million. The interest rates charged for withdrawing loan funds is 11% per annum, scheme deposit interest rates is 12% per annum and scheme for fixed deposit is 1% per annum.

1.2 Statement of the Problem.

Barclays Bank charges high rates and this scares away many borrowers with the Bank loans which leads to untrustworthy customers and this increases credit risks and default rates which negatively affects the operating activities of Barclays Bank. Besides the high rates charged on loanable credits or funds hinders profitability and also deters the performance of Small scale businesses of their customers because of the high debt burden.

This is due to the fact that high rates increase default rates of customers as they become unable to repay the principal and interest rates coupled with expensive collateral securities. This high debt burden scares away customers causing losses and also hindering ending and borrowing activities. Thus impacting negatively in their operations and performance. This limits on the provision of financial credits and other services by Barclays Bank which also lowers on the economic activities of small scale businesses because the owners will not be able to access funds for investment.

1.3 Purpose of the Study.

The study aimed at investigating the role of commercial banks on the performance of small scale businesses with a case study of Barclays Bank in Kampala District.

1.4 Objective of the Study.

The main objective of the study was to identify the role of Barclays Bank on the performance of the small scale businesses of their customers in the city centre of Kampala.

1.4.1 Specific Objectives.

- i. To establish the relationship between Barclays Bank and the performance of the small scale businesses.
- ii. To investigate the challenges facing Barclays Bank in trying to improve the performance of the small scale businesses of their customers in Kampala, and how they can be solved.
- iii. To find out the roles played by Barclays Bank on the performance of the businesses of the customers in Kampala.

1.5 Research Questions.

- i. How are you going to help your customers to improve on the performance of the small scale businesses?
- ii. What problems do you face as Barclays Bank and how are you going to solve these problems?
- iii. What services do you provide to the customers operating small scale businesses in the city center of Kampala?

1.6 Scope of the Study.

The study was carried out in the district of Kampala and it took 4 months. The researchers have chosen Kampala due to the greater number of banks and the population size growing at an unpredicted rate per annum. Contained within an area of 7.378 persons per square kilometer.

Barclays Bank was chosen by the researcher due to low performance problems suffered due to stagnation of business economic activities. This was because the prices of goods and services have tremendously risen. As a result, customers went away with loan credits and turned into untrustworthy customers, thus high default rates.

1.6.1 Content Scope.

The researcher carried out this study from a bank institution known as Barclays Bank, Kampala branch, located on plot 16 Kampala Road on Luwum Street. It is on the role of commercial banks on the performance of the small scale businesses.

1.6.2 Geographical Scope.

The research was conducted from Barclays Bank Kampala Road, Plot 16 Luwum Street in the city center of Kampala district in Uganda. Barclays Bank has got 67 branches in Kampala and up country has branches in districts like Mubende, Arua, Koboko, Tororo, Moyo, Kotido, Jinja, Kiboga, Mbarara, Masindi and so many others.

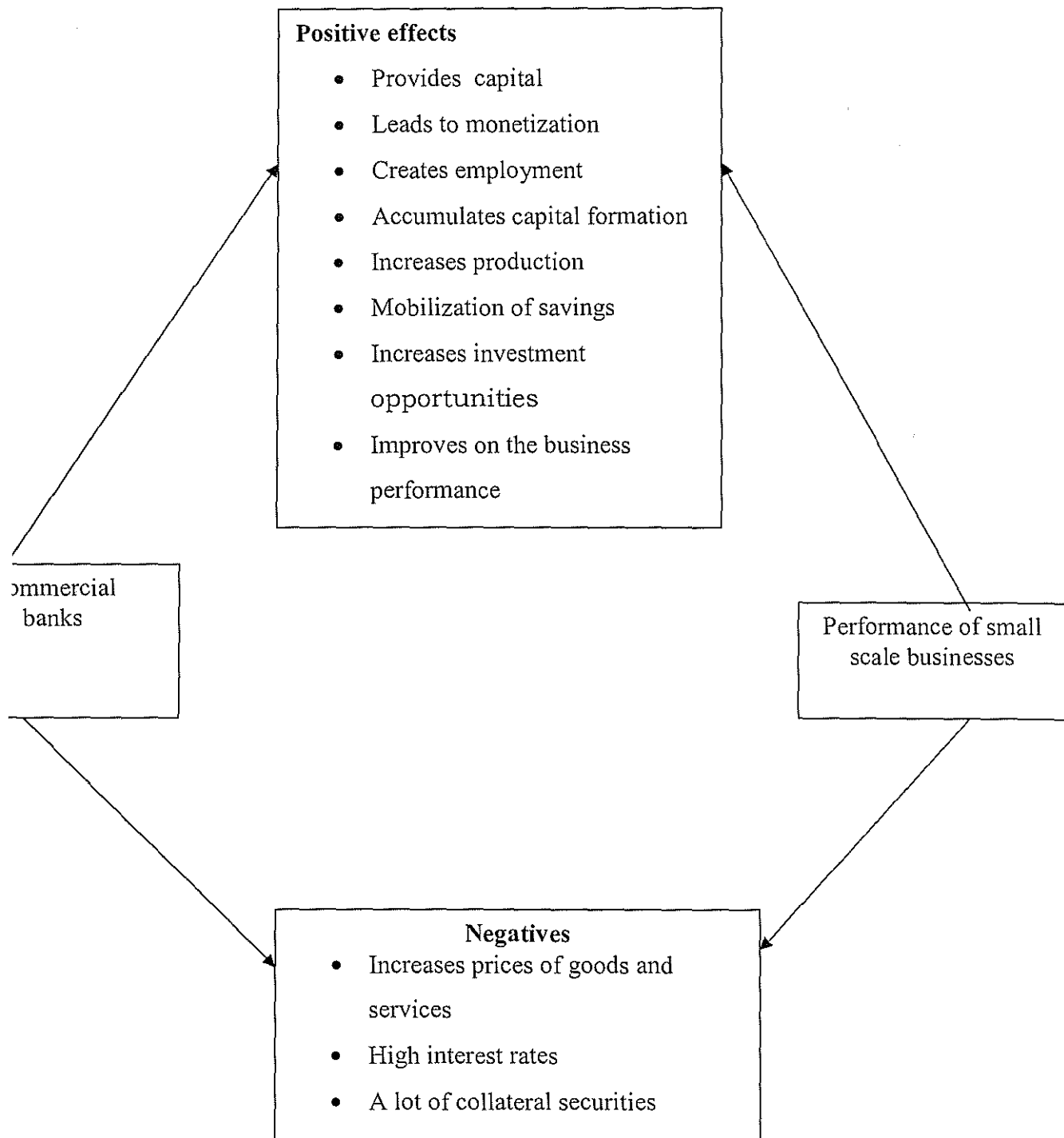
1.6.3 Time Scope

The research was conducted within 4 months time, beginning in April to July 2011

1.7 Significance of the Study.

The study was useful in finding out how well Barclays Bank can improve on the performance of the small scale businesses of the customers on Kampala Road, Luwum Street.

8 Conceptual Frameworks.



Source; Researchers conceptualization.

From the above diagram the independent variable is the commercial bank and the dependent variables are the small scale businesses. Small scale businesses gain credit funds from commercial banks which were used in the production of goods and services and also make other business transactions as shown above.

The research was important in identifying the challenges faced by Barclays Bank in attempting to improve the performance of small businesses of their customers.

The study helped to provide up-to-date literature for academicians and financial information about Barclays Bank on Kampala Road Luwum Street.

The research contributed to the researchers' part fulfillment of the requirement for course work and for the award of bachelor's degree in business administration.

The study helped other researchers, students of KIU, lecturers and academic administrators for further references.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction.

This chapter was about the ideas and views of other persons in relation to the topic identified by the researcher. The literature is vital and enabled the researcher to investigate further. The literature was mainly taken from secondary sources of data like books in libraries, newspapers text books, magazines among others.

2.1 Definition and Background.

According to Tayebwa (2007), commercial banks are financial intermediaries formed to finance deficit spending units (borrowers) and surplus spending units (lenders). The banks are very important institutions because they help households and businessmen with financial services like loans, overdrafts, safe guard deposits among others. This enables the businessmen to establish and also enables on their economic activities, in the production using the bank's funds so as to meet the increased demand for goods and services in the Market places.

Ddumba (2004) notes that commercial banks are financial institutions that bring people together by accepting deposits pay back when on demand and lend money to the people and also provide feasibility studies to the households.

In addition, commercial banks are of two main types. One type has a small number of banks, each with a large number of branch offices; the other consists of a large number of independent banks, Ddumba (2004). These banks in reality were formed with the purpose of lending and borrowing from the public of Uganda. The commercial banks lend money to business people who want to establish ventures at minimal interest rates. The loan is backed up by a collateral security to prevent default risks by customers. Thus helping to shape up the small scale businesses of their customers thereby increasing their profitability and performance.

Baumol (2003) adds that commercial banks in Uganda dominate the financial sector and account for over 90 percent of the assets of the banking system. They are responsible for

Also Mishkin added that commercial banks provide investment advice to customers seeking business credit on how to optimally utilize the funds.

Besides, they transfer cash overseas, provide foreign services like discounting foreign bills of exchange and exchange foreign currency into local money.

According to Prem Kuram (1999), commercial banks provide automatic Teller Machine (ATM) to their customers at minimal withdraw fees and if it gets lost or stolen, they replace it for a customer with a new one and it operates 24 hours.

Nevertheless, they deliver cheques books and checking saving account. According to Ddumba (2004) commercial banks deliver cheques books and checking savings to their customers. Also safeguarding deposit boxes for storing valuables and finishing cheques.

Provide monthly accounting statements to their customers. According to Bungum (1991) the commercial banks help their customers by giving them financial statements which customer review and know how much money is on their account or know what balance is on their account.

Also Fabozzi (1998) noted that commercial banks transfer money from one place to another as directed by their customers.

Commercial banks transfer money also from one branch to another branch which helps customers when changing to other location.

Blinder (2001), said that commercial banks lead to capital accumulation whereby he defined capital accumulation as money which is used to start a business which goes on increasing as it is re-invested. This gives way for establishment of new more businesses while expanding the older ones at a fast rate.

2.3 The Roles Played by Commercial Banks to Improve on the Performance of Small Scale Business.

The commercial banks play a very crucial role by ensuring the proper and safety of deposit is and this led to creation of money which can be given out to borrowers in form of credit funds. This helps to mobilize savings and also facilitates money for investment in the small scale business by the people in the Kampala city center.

Gary (1982) said that the mobilization of savings is very useful to businessmen. They can withdraw it and invests such funds in a factory thereby expanding it in its size, this increase on the volume of goods and services produced by such a plant. The profitability and efficiency increase due to more returns generated from the business transaction.

Improvement of the social infrastructures. Parkin (2003) noted that commercial banks have helped in the establishment of social services like roads, railways, schools. Now roads are economically used by businessmen for transporting goods from one destination to another or to market places. These banks have greatly improved on the transport and communication networks in the country. Many social and economic infrastructures have been built by the government after acquiring loans from the commercial banks, noted by Gary (1983).

Availability of employment opportunities.

Ddumba (2004) has it that loans that are given to customers can be invested into profitable business and as it expands, it needs more employees to carry out the operations in the production, marketing and many other functions. This helps to reduce on the level of unemployment among the people of Uganda. The work in factories or businesses as accountants, sales person and earn a living which can be used to sustain or meet their daily needs, thus improving on the standards of living.

Improves on consumers' expenditure.

According to Bungum (1991), commercial banks avail direct loans, personal loans and consumer's loans plus money transfer to individuals which then can be used by consumers to purchase goods and services for consumption. So all these expenditures made by consumers are facilitated by the credit funds from the commercial banks.

Increase the level of production. Tayebwa (2004) has it that commercial banks have helped increase on the level of the production of goods and services in Uganda. Investors are using the credit funds to purchase equipments, establish factories as well as expansion of the production activities. This has been with the intention of increasing on the level of good and services that is supplied to their customers.

However, commercial banks have got some drawbacks like.

High interest rates, they charge high rates of interest on loan advances for example 11%, 12%, 17% that they issue to customers. This ends up draining the small scale businesses of the customers thereby reducing operations and efficiency coupled by increasing losses due to high debt burdens. Gary (1983) adds that high interest rates charged on borrowed funds heads to default risks due to inability to repay the funds and this upsets the performance of the small scale business.

A lot of collateral security, this can be in form of buildings, land titles, motor vehicles and so many others. This has scared away many customers from accessing credit funds from commercial banks. These banks do demand the security so as to back up the loan or to prevent default risks when a customer fails to repay the principal and the interest rate on the loan.

Increases the price of goods. When the cost of funds or capital increases that it can be used to invest in small-scale business so as to produce goods and services, this also increases price of the final product.

Dudley (1984) further added that high interest rates lead to the increase prices of other goods and services. The cost of funds makes the customers to raise the prices in an economy.

2.4 Problems which Commercial Banks do Encounter in Uganda.

Tayebwa (2004) notes that below are some of the challenges facing commercial bank.

Poor infrastructures. In Uganda, many roads are inaccessible. This hinders the development and reachness of commercial banks in the remote areas in Uganda. Most of the banks are only concentrated in urban areas yet the biggest percentage of customers are left in the village unattended to. This lowers their operations and profitability.

Poverty. Most people in Uganda cannot save with the commercial banks because they are poor. They do not have jobs which can enable them to earn a living for consumption and saving. So due to the persistent poverty levels in Uganda hinders these banks perform very well to their expectations

Illiteracy and ignorance of customers. In Uganda, most of the people are not educated and therefore do not know how commercial banks operate. Some are not aware of the services that are handled or provided by these banks. Then other customers cannot keep safely the books of accounts which are used to access their credits

High default rates. The people whom loans are given to by the commercial banks are not trustworthy. They tend to run away with the banks' credit due to high interest rates thereby increasing default rates, losses and risks in their operations. This proves to be a challenge because it reduces in the level of profitability of the commercial banks.

Political instabilities and insecurities. In Uganda, there were civil wars during late Amin's regime who was the president in Uganda in 1970s. Also there was a civil war which took place in Northern districts which occurred by over 20 years. This hindered the establishment of commercial banks in such a region due to fear of rebel activities.

Low level of economic activities. Due to the presence of the subsistence sector which is the dominating the largest part of the economy of Uganda. This creates low demand for loans because o flow incomes. The subsistence sector favors only consumption and then leaves little or no money or saving.

Mismanagement and corruption. Most of the CBs that have been nationalized have been subjected to misappropriation. The bank officials have been responsible for all these inefficiencies in the banking system. This has scared away customers from such banks.

2.5 Solutions to the Problems Faced by CBs.

According to Tayebwa (2004), the following have been noted as the solutions to the challenges facing CBs.

Political stability. The government of Uganda is trying hard to ensure that there is security all over the country. Even the northern region is now secure and free from rebel activities.

Infrastructural development. There has been an improvement in both social and economical development for example roads leading to villages have been established so as to increase reachness of the banking services to remote areas.

Training of manpower. The banking institutions have helped so much to train skilled people so as to adequately supply them in the banks. This has helped to improve on the efficiency in operations.

Proper management and accountability. The commercial banks should ensure that they employ good managers who can help to minimize on the embezzlement and corruption of funds. Ensuring good and strong governance of the bank.

Mass sensitization and awareness. The CBs should increase on the awareness by educating the people about the new services provided by the banks to the public. All the customers need information about the latest services like ATMs because many are not aware and also ignorant on how to use it.

Increase and expand reach ness of CBs. The banking industry should be extended to the rural areas so as to enable these people to access their services. By doing so, it increases on their operations and also profitability all over the country.

Reduce on the interest rates The commercial banks should revise and also reduce on the rates of interest charged from the loan given to the customers. This can help to reduce on the high default rates thereby encouraging customers to repay in time. This ensures a continuous operation of the banking system.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents and gives the methods and techniques that were used to collect and analyze data to achieve the outlined objectives. It includes the research design, study population, research instruments, quality control, data collection sources, processing and analysis plus the limitation of the data.

3.1 Research Design.

The researcher used descriptive, qualitative and quantitative methods so as to identify the relationship that exists between the variables of commercial banks and the performance of small scale businesses of their customers.

3.2 Study Population.

The population under the study consisted of 100 people and these were business customers and employees from Barclays Bank located at Plot 16 on Kampala Road on Luwum Street. The people included 55 males and 45 females respectively, aged between 20- 60 years to establish the role of the Commercial Bank on the performance of Small scale businesses in the City centre of Kampala.

3.3 Sampling Procedures

The researcher used the survey techniques to collect adequate data of the sample population coupled with structural self administer questionnaires. Because they were cost effective, did not need supervision to interview the respondent so as to reduce on the expenses of traveling back and forth to the same place.

3.3.1 Sample Size.

The researcher actually; selected 50 respondents using random sampling method from only six departments like cash department, cheques department, credit departments, operations, forwarding and forex department, from Barclays Bank situated on plot 16 located on Kampala Road, Luwum street. The respondents included employees and customers both males and females aged between 20 to 60 years because they would answer the questions.

This helped to identify the relationship between Barclays Bank and the performance of the small scale businesses in Kampala.

3.3.2 Sample Technique.

The procedures adopted in the present study were simple random sampling, which is also known as chance sampling. Under this sampling technique, every item of the frame has an equal chance of inclusion in the sample and a purposive sampling technique will be used to select the samples. As proposed by Amin (2005) that the purposive sampling is a technique where the respondent supply information relevant to the problem. Also argued that in purposive sampling the researcher will use common sense regarding the participants from the commercial banks. The researcher selected a sample based on his experience of knowledge to be sampled and has in mind that these respondents would have the information required.

3.4 Reliability and Validity of the Instrument.

Reliability was obtained through the use of random sampling techniques in that whether one is on probation or confirmed was put into consideration, respondents were identified depending on their availability and willingness to take part in the study to reduce biasness. But validity was obtained through the use of an instrument already approved by the expert.

3.5 Data Sources and Collection.

The researcher collected data using primary and secondary sources.

3.5.1 Sources of Data.

The researcher obtained data from sources like text books, internet, journals, dissertations, and respondents like Bankers from Barclays Bank.

3.6 Research Instruments.

The researcher used the following instrument or tools when collecting data.

3.6.1 Questionnaires

According to Amin (2005) defined a questionnaire as a carefully designed instrument for collecting data in accordance with the specifications of the research questions and hypothesis. It is an efficient and effective data collection mechanism because the researcher knows exactly what is required and how to measure variables of interest.

The questionnaires will be physically administered personally or mailed to respondents in Barclays Bank plot 16 Kampala Road, Luwum Street.

The questionnaires are preferred because they can be kept for future references, give direct answers and easy to interpret and analyze.

However, language barrier will distort the study.

3.6.2 Interview Guide.

The researcher used interviews so as to supplement the questionnaire method. It helps respondents who cannot interpret questionnaires to express themselves. The researcher administered it consistently among respondents. It helped the researcher to generate relevant data. Delivered valid information and had opportunity to access problems directly, noted by Amin (2005).

3.6.3 Observation

The researcher critically studied the current status of the phenomenon and generated the required data not by asking but by looking and observing the environment of the study.

According to Mugenda (2003); added that the observation method gives actual and accurate data to the researcher though some hidden information may not be acquired.

3.7 Data Control Analysis and Processing.

3.7.1 Data Control

The researcher obtained an introduction letter from Kampala International University, School of Business and Management to Barclays Bank located at plot 16 Kampala Road, Luwum Street in Uganda. The permission was asked from the senior branch manager to allow the researcher to conduct this study. The respondents provided information as the researcher administered and guided them on how to answer the questions.

3.7.2 Data Analysis

Data analysis refers to the clear follow up of data after collection. Here the researcher examined the reliability of the data. It involved the transformation of data gathered from the field into systematic categories and these categories were changed into codes to enable quantitative analysis and tabulation.

3.7.3 Data Processing.

After collection of the data, only correctly filled questionnaires were coded, edited and analyzed, proper analysis was carried out by the use of frequencies, percentages and exact findings were tabulated.

The relationship between processing and analysis basing on the objectives together with the researcher questions was used to guide the researcher in the process of editing, coding as well as translations of instruments of data collection. The researcher was able to make final statistical tools such as tables, pie charts, bar graphs. According to Amin (2005), it is a statistical output that the researcher bases on when discussing the possibilities, merits and demerits of different alternatives as well as way forward for management and administration in the bank.

3.8 Limitations of the Study.

According to Mugenda (2003) points out the challenges the researcher faced when carrying out data collection in the field and these included the following.

Financial constraints. The research sometimes lacked enough money to cater for transport. Feeding and for purchasing scholastic materials like handbooks, pens, needed in writing or noting down relevant information.

Lack of relevant and updated information, sometimes a researcher got problems in getting first hand information for the first time. This is because getting relevant information from the right sources proves to be very hard as some people tend to hide it.

Inaccessibility of some organizations. Some organizations were not accessible especially banks because the director and managers feared to be exposed to competition.

Limited time. Most of the employees in Barclays bank were too busy to attend to the researcher. They worked all the times and this limited the researcher from accessing the information.

CHAPTER FOUR

PRESENTATION, INTERPRETATION AND ANALYSIS OF FINDINGS

4.1. Introduction

This chapter presented the findings in relation to the research questions and research objectives established earlier. The chapter presents the findings by considering the research purpose which was to establish the role of commercial banks on the performance of small scale businesses in Uganda.

The data collected from the field was processed and analyzed, qualitatively and quantitatively. The qualitative approach used in analysis provided more clarification and explanations on quantitative data. Quantitative information summarized by using tables and percentages to show the response of the respondents. All of these findings were interpreted and presented, through re-examining research objectives.

4.2. Demographic Characteristics

The main purpose of this part was to analyze the background information of the respondents in relation to their age, gender (sex), marital status and level of education. The information was presented by the use of tabulation.

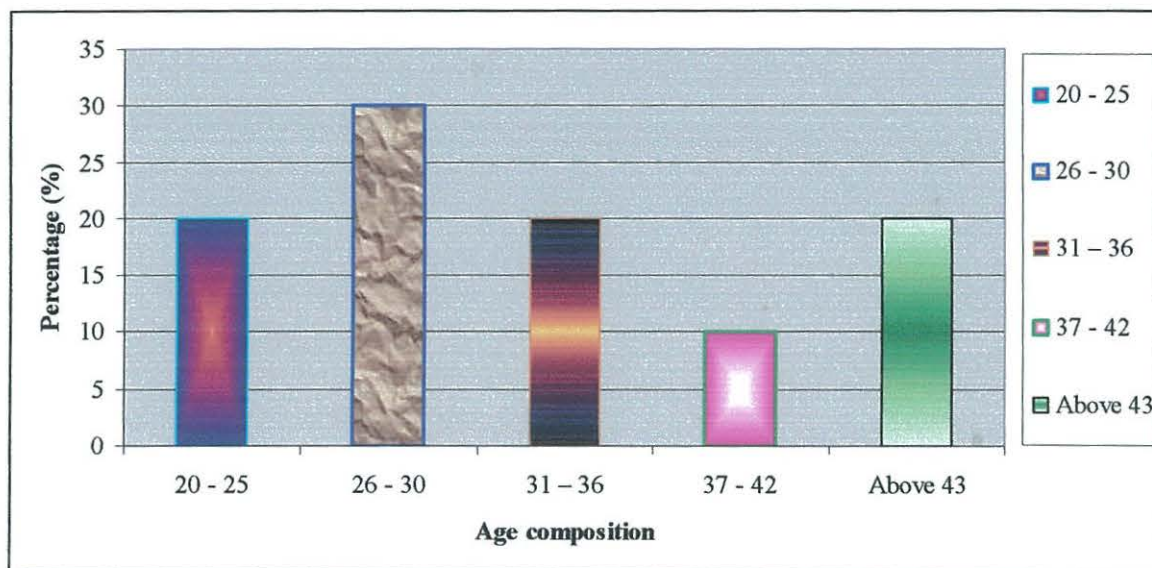
Table 1: Shows the age of the respondents

Age (years)	20 - 25	26 - 30	31 – 36	37 - 42	Above 43	Total
Frequency	10	15	10	5	10	50
Percentage (%)	20	30	20	10	20	100

Source: Primary Data

According to the table above, the data revealed that 10 respondents were aged between 20-25 years, 15 of them were between 26-30 years, 10 of the respondents were between 31-36 years, 5 respondents were between 37-42 years and 10 were above 40 years. In terms of percentage, this can be presented as 20%, 30%, 20%, 10% and 20% respectively.

Figure 1: A bar graph showing the age composition of the respondents



Source: Primary data

From the above bar graph, the data revealed that 20% of the respondents were aged between 20-25 years, 30% of the respondents were between 26-30 years, 20% were between 31-36 years, 10% of the respondents were between 37-42 years and 20% were above 43 years.

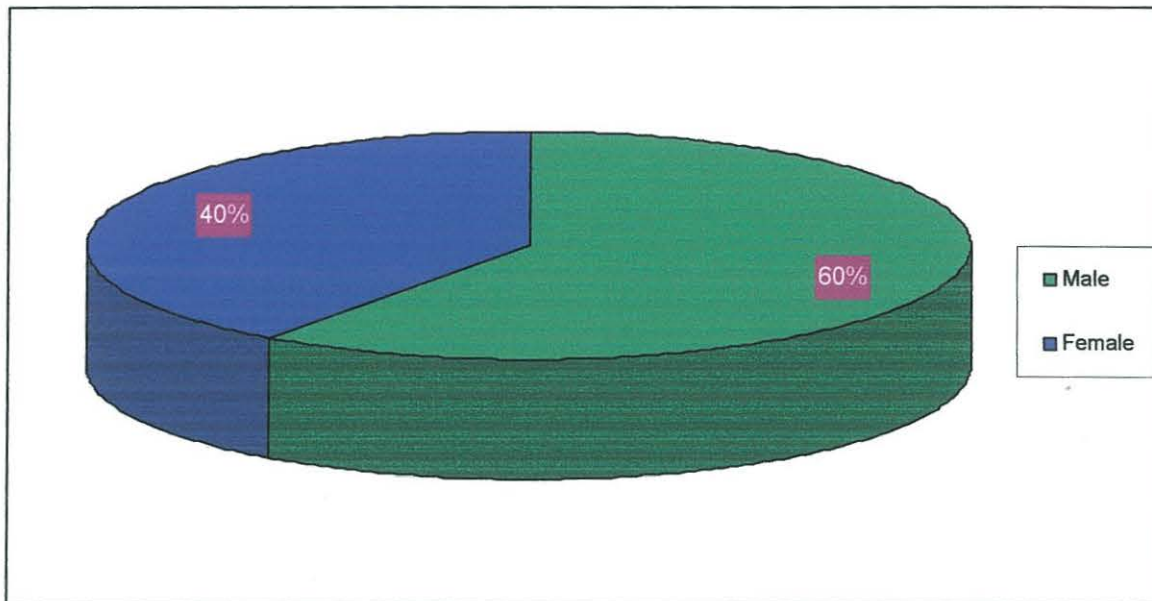
Table 2: Shows the gender of the respondents

Gender	Male	Female	Total
Frequency	30	20	50
Percentage (%)	60	40	100

Source: Primary data

Table 2 shows the gender ratio of the respondents. The table reveals that out of 50 respondents, who were randomly selected to answer the questionnaires, 30 of them were males and 20 of them were females. This means that on this means that in term of percentage, 60% of the respondents on the questionnaires were males while 40% of the respondents were females.

Figure 2: The pie chart below shows the gender composition of the respondents



Source: primary data

The pie chart above reveals that out of 100% respondents who were randomly selected to answer the questionnaires, 60% of them were males and 40% of them were females. This means that on this basis, 60% of the respondents on the questionnaires were males while 40% of the respondents were females.

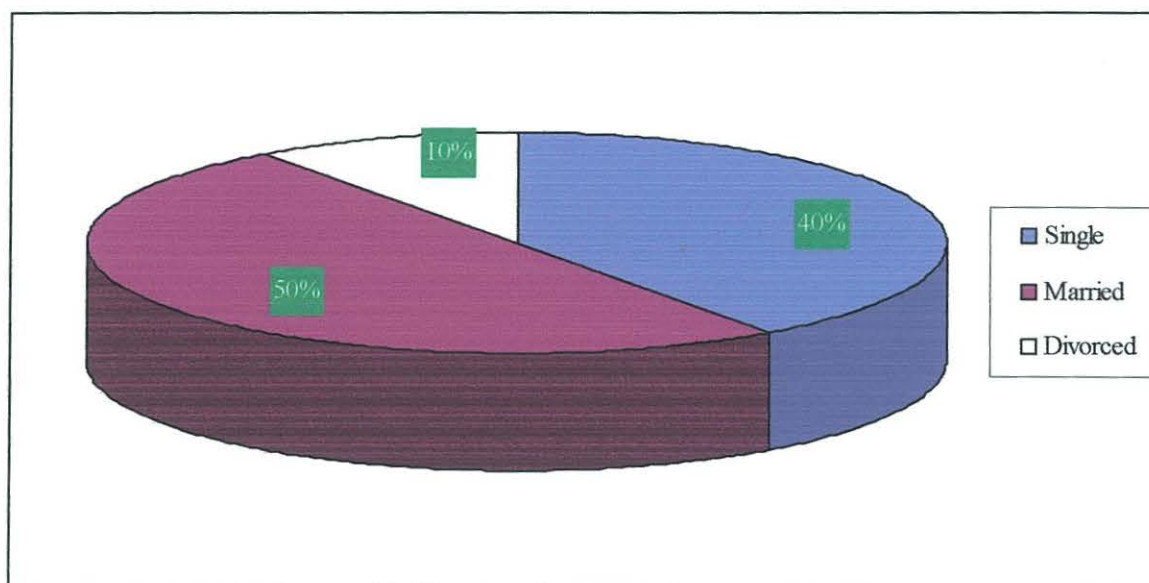
Table 3: Shows the marital status of the respondents

Marital status	Single	Married	Divorced	Total
Frequency	20	25	5	50
Percentage (%)	40	50	10	100

Source: primary data

The table above reveals the marital status of the respondents of the questionnaires. Out of fifty (50) respondents, 20 were single, 25 were married and 5 were divorced. In terms of percentage, the respondents may be represented by 40%, 50% and 10% respectively.

Figure 3: A pie chart showing the marital status of the respondents



Source: primary data

According to the pie chart above, out of fifty (50) respondents, 40% of the respondents were single, 50% were married and 10% were divorced.

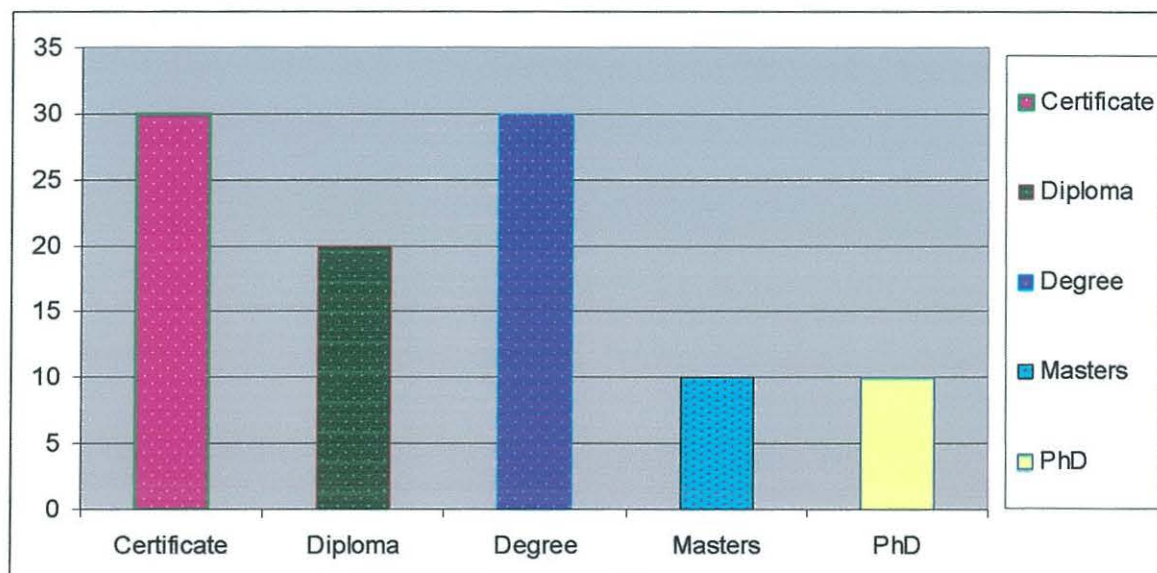
Table 4: Shows the level of education of the respondents

Education Level	Certificate	Diploma	Degree	Masters	PhD	Total
Frequency	15	10	15	5	5	50
Percentage	30	20	30	10	10	100%

Source: Primary data

The above table describes the educational qualification of the respondents from whom the researcher gathered the information needed. Of these respondents, 30% possess certificate, 20% have diplomas, 30% possess bachelor's degree in Accounting and Finance, 10% possess masters and 10% are PhD holders.

Figure 4: The bar graph below shows the level of education of the respondents



Source: primary data

The above table describes the educational qualification of the respondents from whom the researcher gathered the information needed. Of these respondents, 30% possess certificate, 20% have diplomas, 30% possess bachelor's degree in Accounting and Finance, 10% possess masters and 10% are PhD holders.

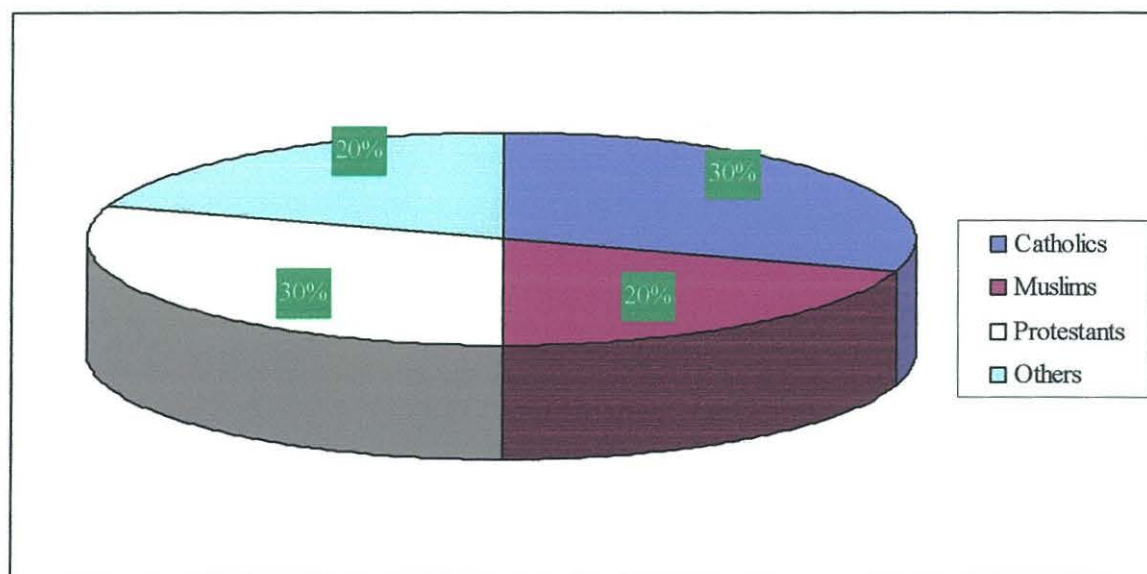
Table 5: Shows the religious composition of the respondents

Religion	Catholics	Muslims	Protestants	Others	Total
Frequency	15	10	15	10	50
Percentage	30	20	30	20	100

Source: Field data

The above table shows the religions of the respondents. According to the table, 15 respondents were Catholics, 10 were Muslims, 15 respondents were Protestants and 10 of them had other denominations apart from the three. In terms of percentage, 30% were Catholics, 20% were Muslims, 30% were Protestants and 20% had other religious denominations.

Figure 5: The pie chart shows the religious composition of the respondents



Source: Primary data

According to the table, out of 50 respondents, 15 respondents were Catholics, 10 were Muslims, 15 respondents were Protestants and 10 of them had other denominations apart from the three. In terms of percentage, 30% were Catholics, 20% were Muslims, 30% were Protestants and 20% had other religious denominations.

4.3 Relationship between the Role of Commercial Banks and Performance of Small Scale Businesses

Explanatory studies were used to establish the relationship between the role of commercial banks and the performance of small scale business enterprises. Different variables that may influence either way organizational performance were thoroughly measured. It was observed that, there was a significant relationship between the roles played by commercial banks such as Barclays bank and organization performance such as the small scale businesses.

Commercial banks are financial intermediaries formed to finance deficit spending units (borrowers) and surplus spending units (lenders). However, many small scale businesses have not benefited much from the roles under taken by these commercial banks. This is mainly because some of the small scale businesses are ignorant about the roles played by these

commercial banks while others fear the many stages that these small scale businesses under go to benefit from these commercial banks while others can not afford to even open account numbers with these commercial banks. The findings pertained to the objectives and were presented and interpreted as shown hereunder:-

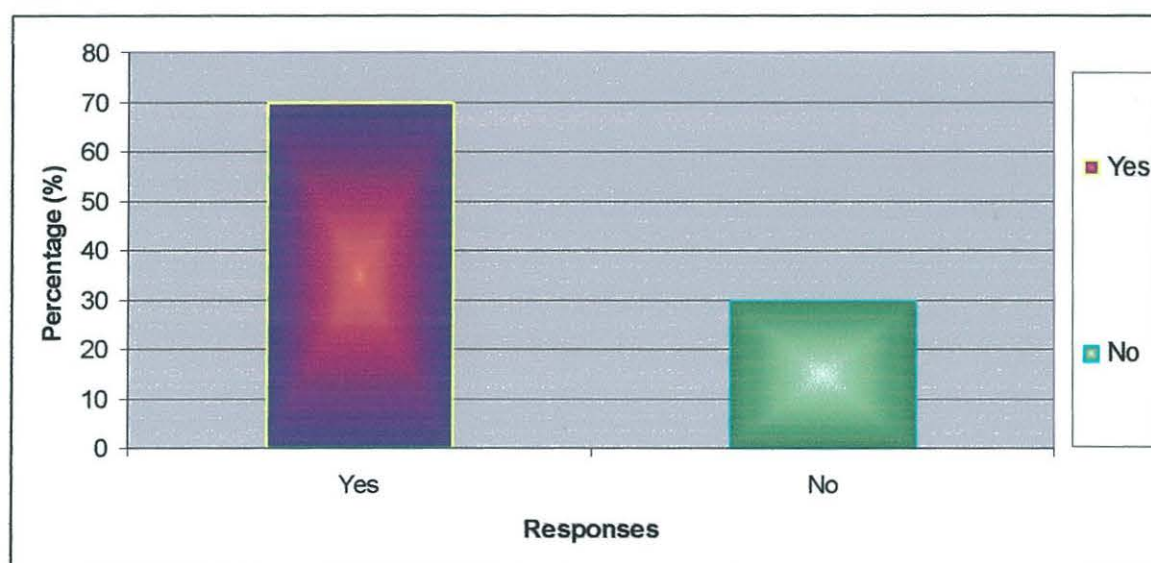
Table 6: Responses on whether the roles of commercial banks have improved on the performance of small scale businesses in Uganda.

Responses	Yes	No	Total
Frequency	35	15	50
Percentage	70	30	100

Source: Primary data

From the table above 35 of the respondents, representing 70% agreed that commercial banks have a great role on the positive performance of small scale businesses while 15 of the respondents, representing 30% believed that commercial banks have less role (negative) impact towards the small scale business performance.

Figure 6: Whether the roles of commercial banks have improved on the performance of small scale businesses.



Source: Primary data

From the above bar graph, out of the 50 respondents, 35 of them, representing 70% agreed that commercial banks have a great role on the positive performance of small scale businesses while 15 of the respondents, representing 30% believed that commercial banks have less role if not, negative impact towards the small scale business performance.

The researcher went further to find out whether Barclays bank is a commercial bank and the activities that it is involved in and the results were presented in the table below.

Table 7: Responses on whether Barclays bank is a commercial bank and the various activities it carries out within Kampala and Uganda as a whole.

Responses	Yes	No	Not sure	Total
Frequency	40	6	4	50
Percentage	80	12	8	100

Source: Primary data

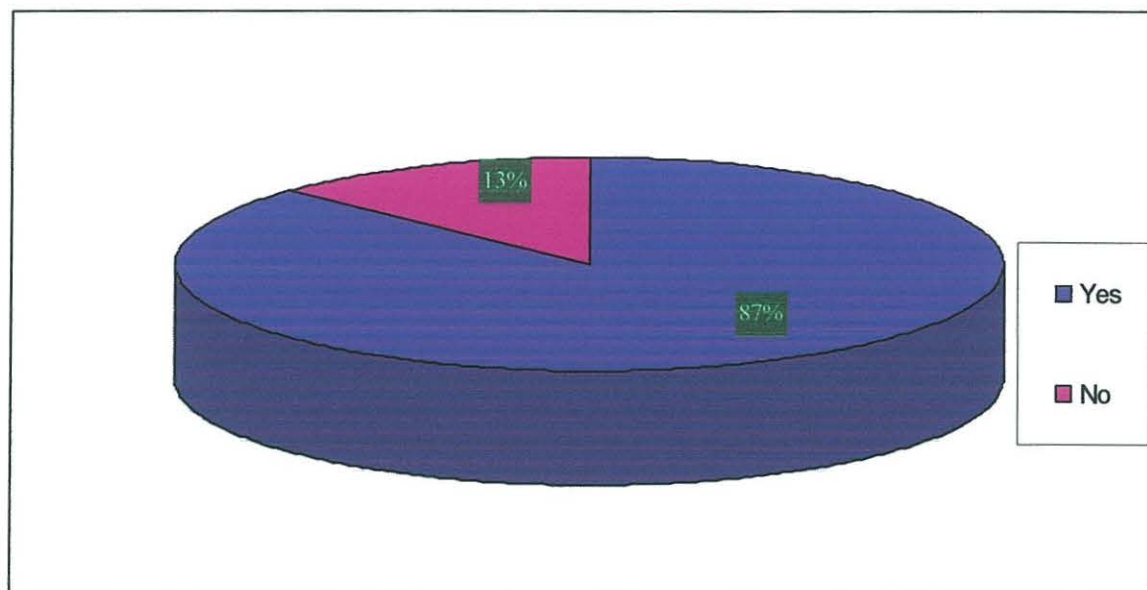
According to the table above, out of the 50 respondents, 40 of them representing 80% agreed that Barclays bank is a commercial bank, 6 respondents representing 12% said Barclays bank is not a commercial bank while 4 respondents representing 8% were not sure whether Barclays bank is a commercial bank or not.

However, the respondents mentioned various and related number of activities that are performed by Barclays bank. Some the stated activities or services that Barclays bank performs include:

Provision of both short term and long term loans to customers such as the operators of small scale businesses to improve on the performance of their investments. Moreover Barclays bank provides these customers with adequate and relevant advice regarding the handling and the usage of these loans so as to reap more benefits from it.

The respondents also stated that Barclays bank provide services such as the transfer of funds from one place to another, provision of credit cards among others.

Figure 7: A pie chart showing whether Barclays bank is a commercial bank.



Source: Primary data

From the chart above, 40 of the respondents representing 80% agreed that Barclays bank is a commercial bank, 6 respondents representing 12% said Barclays bank is not a commercial bank while 4 respondents representing 8% were not sure whether Barclays bank is a commercial bank or not.

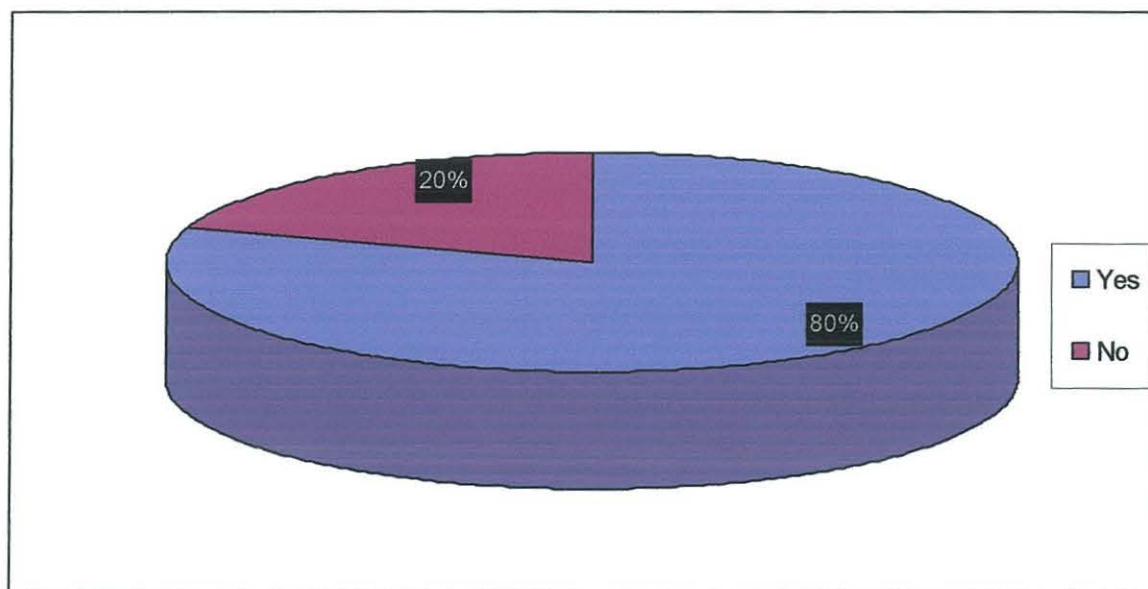
Table 8: Responses on whether the owners of small scale businesses benefit from the services provided by Barclays bank

Responses	Yes	No	Total
Frequency	40	10	50
Percentage	80	20	100

Source: Field data

From the above table, 80% of the respondents strongly believe that small scale businesses benefit from services provided by Barclays bank whereas 20% did not agree with it.

Figure 8: A pie chart showing responses on whether the owners of small scale businesses benefit from the services provided by Barclays bank.



Source: Field data

According to the pie chart above, 80% of the respondents strongly believe that small scale businesses benefit from services provided by Barclays bank whereas 20% responded that customers such as the small scale businesses do not benefit from the services provided by Commercial bank especially Barclays bank..

Table 9: Whether services delivered to the owners of small scale businesses perform profitably

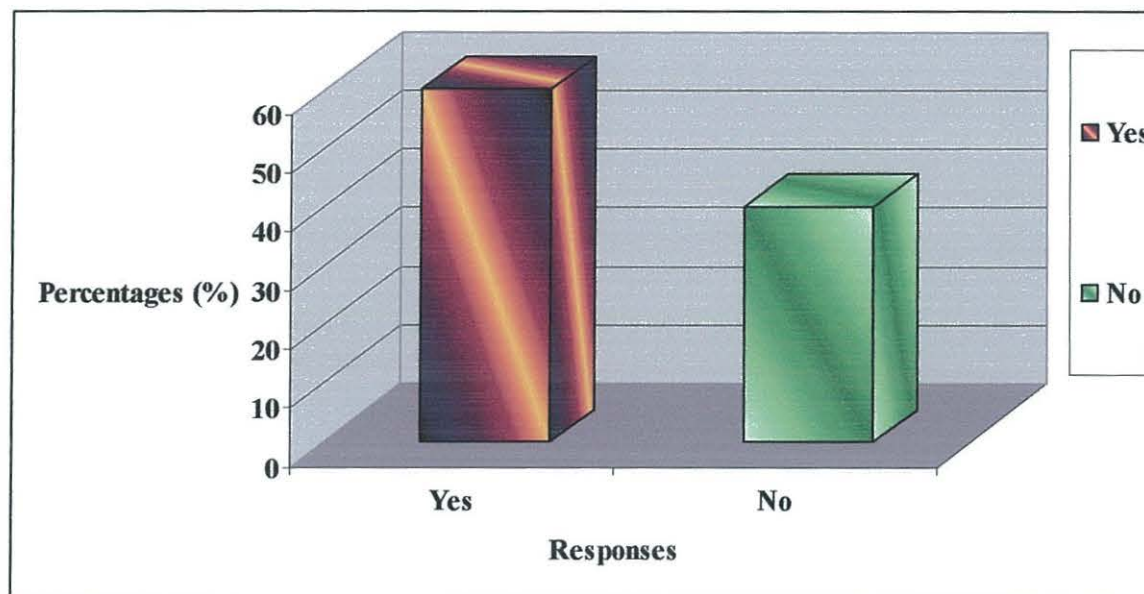
Responses	Yes	No	Total
Frequency	30	20	50
Percentage	60	40	100

Source: Primary data

According to the table above, 30 respondents answered that Small scale businesses perform profitably from the services provided by Commercial banks such as Barclays Bank whereas

20 responded that small scale businesses receive benefits from the services provided by Barclays Bank as a Commercial Bank.

Figure 9: Whether services delivered to the owners of small scale businesses perform profitability.



Source: Primary data

From the above graph, 30 respondents answered that Small scale businesses perform profitably from the services provided by Commercial banks such as Barclays Bank whereas 20 responded that small scale businesses receive benefits from the services provided by Barclays Bank as a Commercial Bank.

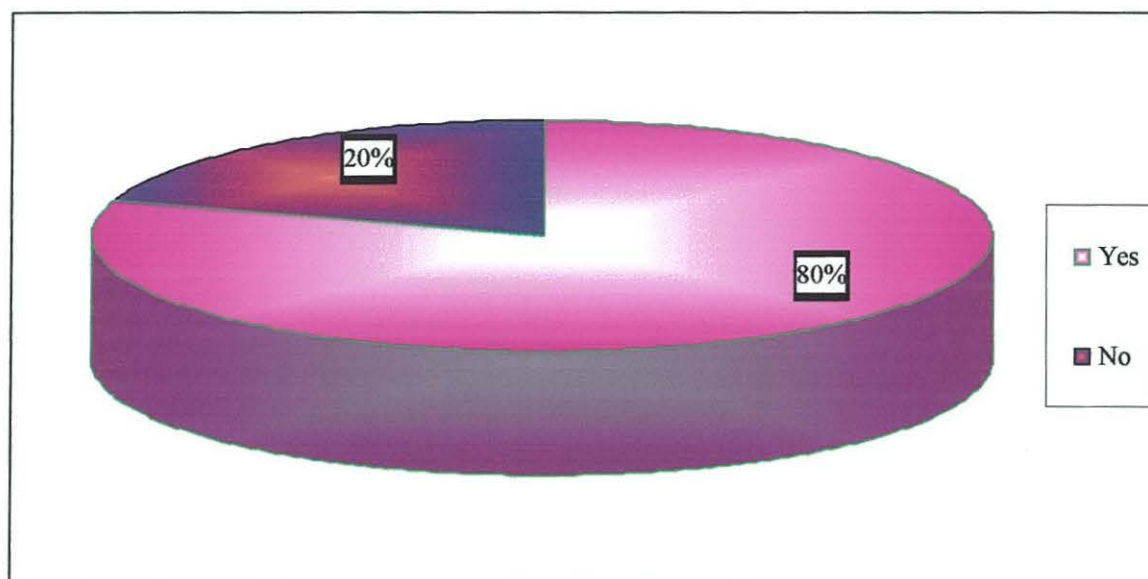
Table 10: Responses on whether high interest rates have effect on the performance of small scale businesses.

Response Category	Frequency	Percentage (%)
Yes	40	80
No	10	20
Total	50	100.00

Source: Primary data

From the table above, 80% of the respondents answered that high interest rates discourage customers and results to low profits, while 20% of the respondents answered that interest rates have effect on the loans obtained by small scale businesses in Kampala.

Figure 10: A pie chart showing whether high interest rates have effect on the performance of small scale businesses.



Source: Primary data

From the pie chart above, 80% of the respondents answered that high interest rates charged on small scale business results have great effect on their performance in that it leads to low profit and hence it discourages them, while 20% answered that high interest rates have no effects on the performance of small scale business since they will also increase the prices of their products and services to make more profits.

Table 11: Responses on the problems faced by Commercial banks in providing their services to small scale businesses, the results were summarized as follow.

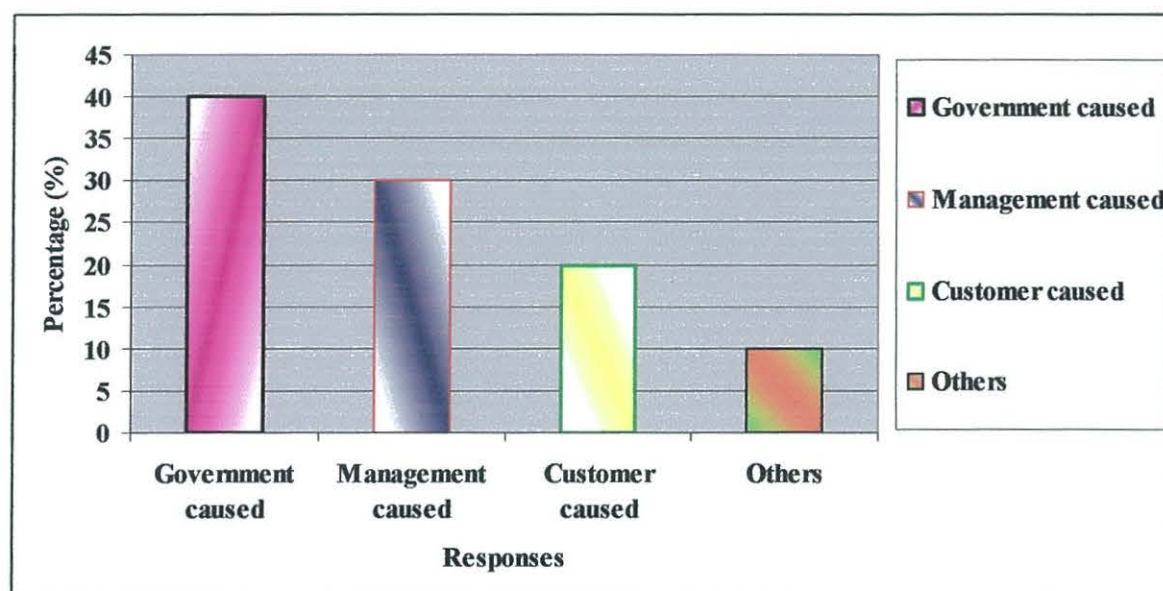
Response Category	Frequency	Percentages (%)
Government caused	20	40
Management caused	15	30
Customer caused	10	20
Others	5	10
Total	50	100

Source: Primary data

From the above table, out of the 50 respondents, 20 respondents representing 40% responded that the problems faced by these commercial banks are caused by government through poor infrastructural development, unstable economy, political instability among others, 15 respondents representing 30% answered that these problems are caused by the management

of the commercial banks through practices such as embezzlement and corruption, lack of skills and competence among others, 10 respondents representing 20% believe that these problems are caused by the customers such as the owners of small scale businesses through ignorance, failing to pay bank loans, failing to understand the operation of the commercial banks due to illiteracy, while 5 respondents representing 10% believed that these problems are faced by other factors apart from the above.

Figure 11: A bar graph showing responses on the problems faced by Commercial banks in providing their services to small scale businesses.



Source: Primary data

According to the bar graph above, 20 respondents representing 40% responded that the problems faced by these commercial banks are caused by government, 15 respondents representing 30% answered that these problems are caused by the management of the commercial banks, 10 respondents representing 20% believe that these problems are caused by the customers such as the owners of small scale businesses through ignorance, failing to pay bank loans, failing to understand the operation of the commercial banks due to illiteracy, while 5 respondents representing 10% believed that these problems are faced by other factors apart from the above.

CHAPTER FIVE.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.

5.0 Introduction.

This chapter presents the discussions and the findings from the previous chapters. It was on the basis of chapter four with reference to research objectives and the aid of literature review where the conclusions and recommendations were made. The objectives of this study were to establish the relationship between Barclays Bank and the performance of small scale businesses. The second objective was to investigate the challenges facing Barclays Bank in trying to improve the performance of the small scale businesses of their customers in Kampala and how they can be solved, and lastly, to find out the roles played by Barclays Bank on the performance of the businesses of the customers in Kampala district. The analysis, evaluation and interpretation of the data and information found on the field were correctly performed; therefore the conclusion and recommendation given below were precisely derived from the chapter and areas mentioned above.

5.1 Summary

Commercial Banks today play a great role in determining the performance of most small scale businesses and the economy as a whole. This is because the commercial banks such as Barclays Bank provide a number of services such as provision of both short term and long term loans, transfer of funds from one particular area to another, deliverance of cheques books and checking saving accounts, discounting of foreign bills of exchange and exchange foreign currency into local, they provide a very excellent advice regarding the usages of the finances that they provide to the customers most especially regarding investments.

More so, Commercial Banks such as Barclays Bank plays very important roles by ensuring the proper and safety of deposits leading to the creation of money which can be given out as loans thus facilitating savings as well as providing money for investment in the small scale businesses. Some of the roles that are performed by the Commercial banks include; improvement of the infrastructures, increment in the levels of production, provision of employment opportunities to the many small scale owners to mention but a few. All these services provided and roles played by the commercial help to improve on the performance of the small scale businesses and the economy as a whole.

services provided and roles played by the commercial help to improve on the performance of the small scale businesses and the economy as a whole.

In the relationship between Commercial Banks (Barclays Bank) and small scale businesses performance, if the commercial banks are efficient enough to support and provide high quality services to the customers and the owners of small scale businesses, and these customers as well as the owners of these small scale businesses have access to the services provided by the Commercial Banks, then their performance and profitability will obviously increase. However, where the commercial Banks are inefficient and the customers as well as the owners of small scale businesses have no or less access to the services and activities provided by the commercial banks, then there will be low levels of performance and profitability.

5.2 Conclusion.

It has been observed that Commercial Banks such as Barclays Bank have a great role to play towards the performance of small scale businesses especially in terms of profit, provision of short term and long term loans, investment improvement, sale and quality provision of goods and services, provision of advice to owners of small scale businesses to mention but a few.. For the purposes of encouraging competitive business environment where by small scale businesses need to have good investment policies and policies regarding loan provisions, systems and right time for investment so as to meet the changing economic performance and demands of consumers.

The main objective of the study was to identify the role of Commercial banks (Barclays Bank) on the performance of the small scale businesses in Kampala. It was therefore observed that commercial banks have great effect as far as performance of small scale business is concerned since the level of performance of small scale businesses tend to improve if the commercial banks are efficient in the provision of their services, roles and activities and vise-versa. And also poor performance was evident by inefficiency and ineffectiveness in low capability to utilize the available business climate as a result of failing to obtain adequate loans from the commercial banks either due to the high interests charged on the loans, failure of the business owners to have access to these commercial banks most especially Barclays Bank, low profit and high cost of running the business among others.

More so, a lot of problems that small scale businesses faced like; no or limited collateral securities to obtain loans from these commercial banks, limited access to commercial banks due to either their limited number, ignorance of the small scale business owners, or the numerous and difficult procedures that the customers have to follow in order to benefit from the services provided by the commercial banks.

Although the commercial banks such as Barclays Bank a significant relationship with the small scale businesses, benefiting from each other numerous, they are as well faced with a number of problems such as poor infrastructure to connect or extend services to other parts of the country such as the rural areas where the biggest percentage of the people live, highest level of poverty among the local people hence failing to do business with these commercial banks, high level of illiteracy in the country hence making many people to fail understand how these commercial banks operate and also there are many defaulters of the loan got from the commercial banks.

The other problems that are encountered by almost all commercial banks such as Barclays Bank include; the high levels of inflation today that has made saving quite impossible, political unrest in some parts of the country such as Northern Uganda which has for long been disturbed by the Lord Resistance Army rebels making the commercial banks not to operate well in such regions, even some of the employees and employers in the commercial banks such as Barclays bank are some corrupt that they end up mismanaging the funds and savings of the business owners

5.3 Recommendations.

On the basis of the results obtained from the study, the researcher has the following recommendations both to the intending researcher on the same topic, to the management of Barclays Bank and the owners of small scale businesses in order to improve on the performance of small scale businesses as a result of the roles of Commercial Banks in Kampala and Uganda as a whole.

It is recommended to the management of Barclays Bank and other Commercial Banks that for any small scale business to perform well in the business field, there must be easy and efficient procedures and policies that should be required from customers to obtain loans from these commercial banks, such as low or moderate or even no collateral securities demanding

from the borrowers because such a practice encourages efficiency and effectiveness of the small scale business enterprise and the share holders, hence good performance.

Therefore, when such policies are put in place and there is a good relationship between the commercial banks and the small scale business enterprise, these small scale businesses get high profit, due to adequate funds to expand on the investment or business, making of high sales since the business can be able to market the products to many other new markets due to the available capital, low price, high production, consequently, or invest more since there is reduction in costs, hence this increases performance of small scale businesses

Proper adoption of organization plan. The commercial banks such as Barclays bank should adopt a good organizational plan to establish authority and responsibility for every function, an organization plan should indicate clearly the department or person responsible for such function as giving loans to borrowers, purchasing, receiving incoming shipments, maintaining accounting records, approving financial matters and preparing the payroll. One person should be clearly responsible for each function otherwise it would be difficult if not impossible to determine who was at fault. Such a practice will reduce on the levels of corruption and mismanagement of funds

Employment of highly skilled and competent manpower and training those with inadequate skills so that they can be able to handle the customers with care and more appropriately. This practice also enables the management to handle and find solutions to problems facing the esteem customers quickly and efficiently thus attracting more customers and retaining those old ones as well. More still, this practice will maximize profits while minimizing costs due to competency and high skills of these workers.

Sensitization and awareness of the mass. The commercial banks should try to educate the people and keep them aware about the services provided by the banks to the public. These customers should be educated and kept aware about the operation and services provided such as loan schemes, the use of ATMs to mention but a few.

The government also need to improve on the infrastructural development in the country such as roads, urban centres, among others. These will enable the commercial banks to reach the remote areas of the countries such as the far districts of the North such as Lira, Gulu,

Koboko, Amuru, Moyo Obongi, Arua, Adjuman, and other far Eastern districts like Kumi, Tororo, and Soroti to mention but a few so that public have access to the services provided by these commercial banks. When the government does this, it will increase on the number of customers such as the small scale businesses that will be dealing with these commercial banks such as Barclays bank.

Control of transaction. If the management was to direct the activities of the business according to plan, every transaction should go through four steps: authorization, approval, execution and recording. For example when top management authorizes a transaction, the departmental manager may approve and payment office execute while accounting office records it on its books.

Separation of accounting and custody of asset, an employee who had custody of an asset or an access to an asset let's say cash should not maintain the accounting records of that asset, this aims at reducing temptation to that particular employee. This may also be sorted out by increasing the number of employees so as to facilitate the separation of duties

Commercial Banks should try to prevent fraud, if one employee is permitted to handle all aspects of a transaction; the danger of fraud is increased. Studies of fraud cases suggest that many individuals may be tempted into dishonest act if given complete control of company assets (source: External payment in arrear Account scandal of BOT as audited by Ernest & Young in 2008). So Barclays bank should consider this fact and minimize the possibility as quick as possible to be free from this risk.

Furthermore, Barclays bank should separate responsibility for related transaction, adopting job rotation on sensitive matters of cash or near cash assets, adopting serially numbered documents, undertaking financial forecasting and practice internal auditing to ensure all transactions are passed under a clear channel through prescribed accounting policies of Barclays bank and Generally Accepted Accounting Principles as well.

More so, loans should be assessed on basis of principles of certainty where the nature, amount and interest of the loan must be known and clear to both the borrower and the lender without doubt because unpredictable loans discourage borrowers and reduce profits received by commercial banks and also convenience, that is, the interest and periods in which these loans are collected and repaid should be convenient to both the borrower and the lender

Finally, reduction on the interest rates. It is recommended that parties involved, such as commercial banks, government, and the small scale businesses should not only keep the revenue consideration in mind but also the economic effects of their operation should also be considered. Small scale businesses, individuals, companies and other business organizations have the obligation of paying loans and the required interest at the rightful time, therefore loans and loan interests should be paid for benefit of all

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APPENDICES

APPENDIX I

RESEARCH INSTRUMENTS.

1.Questionnaires

I'm Mukanza Annet pursuing bachelor's degree in Business Administration specializing in Finance and Banking option from Kampala International University. I'm conducting a research on "The role of Commercial Banks on the performance of Small Scale Businesses with a case study of Barclays Bank, Kampala branch". The purpose of this study was to fulfill my academic requirements. Therefore, I kindly request you to answer the following questions. Your responses will be treated with the highest degree of confidentiality. The data gathered will only and only be for academic benefits.

Background information:

Please, tick the most appropriate box.

Section A;

1. Sex

Male ☐

Female ☐

2. Age

20-25 ☐

26-30 ☐

31-36 ☐

37-42 ☐

Above 43 ☐

3. Religion

Protestants ☐

Catholics ☐

Muslims ☐

Other denominations ☐

4. Marital Status

a) Married ☐

b) Single ☐

c) Divorced ☐

5. Educational level

a) Certificate

b) Diploma

c) Degree

d) Masters

e) PhD

Section B

Fill in the Blank spaces

6. What is Commercial bank?

.....

.....

7. State if Barclays Bank is a commercial bank in the space provided below.

.....

.....

a) If yes, state the activities or services which Barclays Bank performs

a)

b)

c)

d)

8. What are the main roles of Barclays Bank on the performance of small scale businesses?

a)

b)

c)

d)

9. What challenges do you face while providing services to the small scale businesses?

a)

b)

c)

d)

II. INTERVIEW GUIDE

1. What kinds of services are delivered by Barclays Bank?
(a).....
.....
(b).....
.....
2. What other kind of services are provided by Barclays Bank?
(a).....
.....
(b).....
.....
3. Do you think you as customers of Barclays Bank benefit from its services? Defend your answer please.
(a).....
.....
(b).....
.....
4. Do you think the services delivered to the customers running small scale businesses perform profitably?
(a).....
.....
5. What are the challenges that Barclay Bank faces in its banking activities?
(a).....
.....
(b).....
.....
6. What are some of the solutions to the challenges in question (5) above?
(a).....

APPENDIX II

TIME SCHEDULE

A time schedule refers to how long the research will take to finish the research since research is expensive in terms of time, therefore the researcher should give a deadline to stop funding a study and such a deadline should be adhered to.

And this time schedule is expressed in the table below, that spells out what the researcher would do and when to do them.

ACTIVITIES	MONTH	YEAR
Proposal writing	April	2011
Data collection	May	2011
Report writing and submission	June	2011

APPENDIX III:

BUDGET

A budget is a list of items that will be required to carry out the research and the approximate costs. The budget should be well thought out to avoid asking too little or too much from the sponsor and avoid shortage. The prices of items needed to carry out the research should be well researched to avoid being over charged .Since, this research is non-funding by any organization, the source of funding is the researcher and the relatives.

The budget is shown in the table below and it is estimated to cost 215,000/= arrived at as follows.

ITEMS	COST
Stationery and other related costs	50,000
Transport	10,000
Communication	10,000
Photocopy	10,000
Type, setting and binding	80,000
Internet	5,000
Subsistence	20,000
Miscellaneous	30,000
Total	215,000

Source: From the research